

Committee of Public Accounts Briefing Paper – 19 October 2023**Children's Health Ireland Financial Statements Year Ending 31 December 2021 Summary**

Children's Health Ireland ('CHI') is the legal entity established on 1 January 2019 under the Children's Health Act 2018 (No 27 of 2018) ('the Act'). The Act gives effect to the integration of the existing paediatric services provided in Our Lady's Children's Hospital Crumlin, Children's University Hospital (Temple Street), and the paediatric services provided at the Adelaide and Meath Hospital, Dublin, incorporating the National Children's Hospital, commonly known as Tallaght University Hospital.

Section 10 of the Act requires CHI to prepare the annual financial statements in such form as the Minister for Health may direct and in accordance with accounting standards specified by the Minister.

The financial statement has been audited by the Office of the Comptroller and Auditor General for the year ended 31 December 2021 as required under the provisions of section 10 of the Children's Health Act 2018.

In considering CHI's performance and achievements in 2021, it is important to note that the organisation – and the country as a whole – was dealing with the presence of Covid-19. During the same period the organisation also had to deal with the significant impact of the HSE ransomware Cyber-Attack, which resulted in an initial curtailment of activity and contingency arrangements and controls being put in place. Notwithstanding these challenges, significant increases in activity were attained. The new 4,600m² Paediatric Outpatient and Emergency Care Unit at CHI at Tallaght opened in November 2021.

CHI returned a deficit of €2,314,824 for 2021 (2020: surplus of €584,603), thereby resulting in a cumulative deficit at financial year-end of €9,142,094 (2020: €6,827,270). The detailed results and financial position for the year ended 31 December 2021 are set out in the Statement of Revenue Income and Expenditure, Statement of Changes in Reserves and Statement of Financial Position. It should be noted that the €2.3m deficit noted above related to Statutory adjustments made in preparation of the financial statements, mainly related to FRS102 Accrual for holiday entitlements not utilised in the year. The provision is for the associated cost of the increase in staff holiday entitlements at year end, reflecting challenges associated with taking leave due to both Covid-19 and the Cyber-Attack. This compares with effective breakeven reported to the HSE following receipt of the supplementary 2021 funding.

The key drivers for the increase in the HSE Allocation of approximately €28 million are as follows; full year funding in relation to service developments in 2020, significant new service developments across CHI in 2021; Covid-19 funding; funding associated with public pay policy implementation and reduced scope for private income generation.

The increase in patient income of €2.7 million primarily reflects the return of patient activity and reduced impact of Covid-19 when compared with 2020. Included within this category are both public and private patients.

Other income is comprised of superannuation income, canteen income, parking charges, accommodation and rental income, donations, research and development income. The reduction in other income during 2021 has been driven by a continued fall in superannuation income due to changes in public pay policy, a fall in donation income in the period was due to the fewer major capital projects being undertaken through the Children's Health Foundation grant funding process.

Total Expenditure has increased by €33 million, of this amount €20.6 million related to Pay expenditure. The key drivers of this increase are national pay restoration and increments, increased headcount related to service development funding, the full year pay costs of prior years' service developments and Covid-19 related costs.

Non Pay expenditure increased by €12.4 million, overall cost of consumable products and services has been impacted by the hyper inflationary economic situation. The main drivers of clinical expenditure growth have been in Medical and Surgical Supplies and Laboratory costs. The growth is due to general inflation in consumable costs across the system, paired with an increased complexity in patient case mix and the related

product consumption. The main drivers of non-clinical growth are accounting policy impacts and emergency spends/works that will not be re-occurring on the same basis.

CHI worked with the HSE in addressing financial challenges relative to the services delivered in 2021 ensuring no reduction in activity and continue to work closely with our HSE colleagues in 2023 to ensure strong financial management practices are in place across the organisation.

Procurement Compliance

CHI has disclosed amounts to the value of €2,220,392 related to non-compliant procurement in our Financial Statements for 2021. Acknowledging the non-compliance in 2021, significant progress has been made by CHI in regard to the systems, policies, processes and controls which support our procurement practices.

CHI has worked since its inception to centralise procurement teams across CHI, implementing standardised processes and controls. In 2023 CHI went live with a single HSE supported SAP platform incorporating all CHI sites, providing a single foundation system for contract, vendor and material management and the end-to-end procurement to pay cycle.

Whilst much progress has been made, we still face challenges in achieving 100% compliance. The reasons for this include;

- The complexity and range of patient treatments across the 39 clinical specialities provides a unique requirement for time sensitive and often patient specific consumables.
- In relation to areas such as external laboratory testing, CHI's ability to address this issue fully is restricted by the large on-going procurement exercise required to meet the day one operational needs of the new children's hospital. This limits our ability to implement fully compliant lab solutions into our existing hospitals in advance of the opening of the new children's hospital.
- Facilities management is a significant challenge for CHI, specifically due to the aging infrastructure at CHI at Temple Street. Whilst CHI has put in place framework agreements to service these areas, the ability of these framework providers to react to CHI's urgent requirements is often too slow and potentially impacts on the delivery of care. This requires CHI to use smaller vendors who can respond to issues in a rapid manner.
- Recruitment, retention and staffing is one of CHI's principal risks and is an area which has presented significant challenges to Ireland's entire health service. CHI's use of a varied range of recruitment and agency service providers has occurred when necessitated by highly pressured situations, when the frameworks in place could not deliver the immediate people requirement of the organisation. CHI will report improvements in this area since 2021 with vacancy levels reducing in hard-to-fill areas, as we continue to increase staff numbers on the trajectory to meet workforce planning requirements for the new hospital.

CHI has undertaken multiple competitive procurement processes since the 2021 disclosure, addressing various elements of non-compliance. However, in the interest of transparency CHI continues to foresee a level of non-compliance in 2022 as we address the challenges noted above in preparation for the operationalisation of the new children's hospital.

**Opening Statement by Eilish Hardiman, Chief Executive, Children's Health Ireland
to the Committee of Public Accounts**

Thursday October 19 2023

INTRODUCTION

Good morning.

I want to thank the Committee for the opportunity to address you today about Children's Health Ireland's (CHI's) Financial Statements 2021 and to give you an update on the Commissioning Programme for the new children's hospital to include an extensive integration and transformation programme currently underway.

I am Eilish Hardiman, and I am the Chief Executive of Children's Health Ireland. I am joined by:

- Mr Stephen Flanagan, Chief Financial Officer; and
- Ms Julia Lewis, CHI's Transformation Director, who is charged with leading CHI's efforts to be ready and able to move into and open the new children's hospital.

We represent 4,845 people working diligently at the frontline of healthcare in CHI at Temple Street, CHI at Crumlin and CHI at Tallaght, as well as, at the CHI Urgent Care Centre at Connolly Hospital.

Despite often dealing with outdated and inadequate infrastructure, annually CHI treats 153,000 emergency department attendances, 26,000 day cases, 23,000 inpatient admissions and 15,500 theatre procedures.

OUR ACCOUNTS

The Financial Statements before you have been audited by the Office of the Comptroller and Auditor General for the year ended 31 December 2021.

Notwithstanding issues like Covid-19 and the HSE ransomware attack, significant increases in activity were attained in 2021, plus, we opened the new Outpatient and Emergency Care Unit in CHI at Tallaght.

As members will have read in our accounts, CHI returned a deficit of €2.3m for 2021, compared to a surplus of €584,603 in 2020. This deficit related to statutory accounting adjustments made in preparation of the financial statements. CHI achieved breakeven on operational expenditure compared with the final HSE allocation provided for 2021.

Income

The key drivers for the increase in HSE allocation of approximately €28 million in 2021 are:

- Full year funding in relation to service developments in 2020;
- Significant new service developments across CHI in 2021;
- Covid-19 funding;
- Funding associated with public pay policy implementation; and
- The implication of the reduced scope for private income generation.

An increase in patient income of €2.7 million primarily reflects the return of increased patient activity and the reduced impact of Covid-19 when compared with 2020.

Expenditure

Total expenditure in CHI increased by €33 million in 2021.

Of this amount, €20.6 million related to pay expenditure including national pay restoration and increments, increased headcount related to service development funding, the full year pay costs of prior years' service developments and Covid-19 related costs.

Non-pay expenditure increased by €12.4 million, driven by inflation. The main drivers of clinical expenditure growth have been in medical and surgical supplies and laboratory costs.

PROCUREMENT

CHI notes the Committee's correspondence of October 13, outlining its concern regarding non-compliant procurement processes. CHI is very aware of our duty to comply with procurement regulations when expending funds in the delivery of our mandated services. Whilst CHI has disclosed amounts related to non-compliant procurement in our Financial Statements, significant progress has been made in this regard.

CHI has worked since its inception to centralise procurement teams, implementing standardised processes and controls. In 2023, CHI went live with a single HSE supported SAP finance system across all CHI locations, providing a single foundation system for contract, vendor and material management and the end-to-end procurement to pay cycle.

Whilst much progress has been made, we still face challenges in achieving 100% procurement compliance. Reasons for this include;

- The complexity and range of patient treatments across our 39 clinical specialities;
- Significant challenges in facilities management, especially in CHI at Temple Street, and often urgent requirements to act and avoid impacts on delivery of services.

While noting progress made, in the interest of transparency we continue to foresee a level of non-compliance in 2022 as we address these challenges.

THE NEW CHILDREN'S HOSPITAL

As client to the National Paediatric Hospital Development Board for the new children's hospital project, I welcome the opportunity to provide this Committee with an update from CHI's perspective.

Once the Development Board hands over a fully completed building, CHI will complete whole hospital commissioning of the building for it to be operational to international standards.

The Commissioning Team is currently implementing a detailed Commissioning Plan to ensure the safe opening of the children's hospital on a shared campus with St James's Hospital. CHI have secured commissioning experts, who have extensive international knowledge and experience of successfully opening digital hospitals and have commissioned 24 hospitals across the world.

A dedicated commissioning framework is being used to ensure Day 1 opening success with 171 workstreams to be completed before opening the children's hospital. The hospital is being commissioned to international best practice to open a digital hospital by applying Joint Commission International (JCI) accreditation standards to the commissioning process

The cross-city Clinical Directorate Model was implemented in 2023, which is CHI's Clinical and Operational Leadership model for the new hospital.

A detailed CHI staff engagement programme is in place to educate and involve our staff in the commissioning process. All areas of the children's hospital will have agreed a Scope of Service for each department, service and function as part of this engagement process.

To get our state-of-the-art children's hospital ready, there are significant interdependencies and complexities that need to be thoroughly planned, including alignment with go-live of the Electronic Healthcare Record.

To ensure safe services for children and families on opening the hospital, all staff will need to be familiar with the building and new ways of working in a digital hospital. To do this, staff will receive training in their new teams, know how to use new equipment and will run scenarios such as running a ward, theatres and a helicopter landing.

All of this activity will take place while 36,000 pieces of equipment are placed, installed and commissioned. It is a complex operation requiring meticulous planning.

We have provided an update on Operating Theatres to the Committee on 19 September and I am happy to answer any questions on this.

CONCLUSION

To conclude, CHI's primary focus is, at all times, to deliver safe care to the highest possible quality.

Our integration journey continues and by the time the new hospital opens, we will be one team with one set of standards and processes.

We look forward to continuing to meet the needs of children and their families in our current hospitals, as we wait for the day when we can welcome them to the new children's hospital - one which is nothing less than what they need and deserve.

Thank you.

ENDS